Federal Grant Program Spending:

Michigan

1981 - 1988

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October 1989

Grants-in-aid to state and local governments constitute one of the four major federal spending categories. (The other three are procurement, salaries and wages, and direct payments to individuals.) Michigan's share of the total amount of federal grants to state and local governments fell from 4.40 percent to 3.86 percent between fiscal 1981 and fiscal 1988. Two criteria often are used to compare states' performance in receipt of grant funds: relative tax burden and population. Michigan's tax burden--its payment of federal revenues--fell from 4.56 percent to 3.86 percent during this period, and its population fell from 4.01 to 3.76 percent of the U.S. total. Figure 1 compares Michigan's population and tax burden to its receipt of grants in all federal programs and the 60 largest programs.

A recent report published by the Northeast-Midwest Institute, Federal Funding Formulas and State Allocations: What Share for the Northeast and Midwest? examines 56 programs that awarded grants over $100 million in fiscal 1981, plus four others that reached $100 million by fiscal 1988. Grants to Michigan in these programs increased in nominal dollars from $3,311.2 million to $3,730.6 million, but its percentage share fell from 4.54 to 4.18 percent of the total during the period studied. Table 1 presents the amount Michigan received in these 60 programs and its share relative to other states. The programs are listed in descending order of dollar amounts awarded in fiscal 1981 or the first year of program operation. Awards in the "first" year are compared to those in the "last" year--the latest fiscal year for which state-by-state allocations are available from government agencies; years range from fiscal 1987 to fiscal 1990. Table 2 presents similar information in 1982 (real) dollars. It shows that Michigan's funding dropped 12.11 percent, from $3,467.3 million to $3,047.4 million, compared to a 4.6 percent decline for grant programs nationally.

The state's receipts fell in real dollars for about two-thirds of the grant programs. Those programs that increased in funding include: Medicaid, Aid to Families with Dependent Children, the Interstate 4R Program, and the Foster Care and Education of Deprived Children programs. These increases were offset by losses in the Construction Grants for Wastewater Treatment, Interstate Construction, Urban Development Action Grant, and Community Development Block Grant programs. Michigan's overall receipts would have fallen even more without increases in its share of the Foster Care, Migrant Education, and Refugee Assistance programs. The state also benefited from a large increase nationally in the Medicaid program.

Programs Gaining the Most in Funding for Michigan

	Difference in State's Share First to Last Year (in percent)	Change in Millions of Nominal Dollars	Change in Millions of Real Dollars
1. Medicaid	-0.08	504.49	245.81
2. AFDC	-0.58	187.55	21.21
3. Interstate 4R	0.00	58.20	40.30
4. Foster Care	2.19	39.16	29.53
5. Educ. Deprived Children	-0.35	38.18	0.32

Programs Losing the Most in Funding for Michigan

	Difference in State's Share First to Last Year (in percent)	Change in Millions of Nominal Dollars	Change in Millions of Real Dollars
1. Const. Grants (wastewater)	-0.95	-124.95	-153.73
2. Interstate Construction	-0.81	-53.41	-62.64
3. UDAG	-12.37	-51.79	-56.96
4. CDBG: Large Cities	-0.32	-38.98	-61.81
5. LIHEAP	-0.66	-31.60	-53.50

Programs in which Michigan's Share Increased the Most

	Share First Year	Share Last Year	Difference	Change	Difference in Millions of Nominal Dollars
		(in percent)			
1. Foster Care	5.76	7.95	2.19	38.05	39.16
2. Water & Waste Disposal	3.23	4.18	0.95	29.35	-1.73
3. JTPA IIB	4.74	5.43	0.70	14.75	-0.19
4. Migrant Education	2.52	3.15	0.63	25.07	1.69
5. Refugee Assistance	1.38	1.91	0.53	38.15	0.52

Programs in which Michigan's Share Decreased the Most

	Share First Year	Share Last Year	Difference	Change	Difference in Millions of Nominal Dollars
		(in percent)			
1. UDAG	16.97	4.60	-12.37	-72.88	-51.79
2. Comm. Serv. Block Grant	9.07	4.05	-5.02	-55.33	3.93
3. UMTA: Large	4.52	2.30	-2.21	-48.96	-24.94
4. UMTA: Small	4.76	3.16	-1.60	-33.62	-2.88
5. Unemploy Ins.	6.11	4.84	-1.27	-20.82	26.18

With politicians reluctant to consider tax increases or entitlement and military reductions, competition for domestic discretionary program funds--social and economic development initiatives of interest to states and communities--has become fierce. Recent decisions made by Congress and the administration--bailing out insolvent savings and loan institutions, cleaning up the Department of Energy's nuclear facilities, promoting NASA's $30-billion space station, and building the superconducting supercollider--will divert many of these scarce federal dollars away from Michigan and toward states in the South and West. Michigan taxpayers, for example, will pay an estimated $1,060 million for the 1988 savings and loan bail-out actions, although the state's failed institutions will need only $175 million.

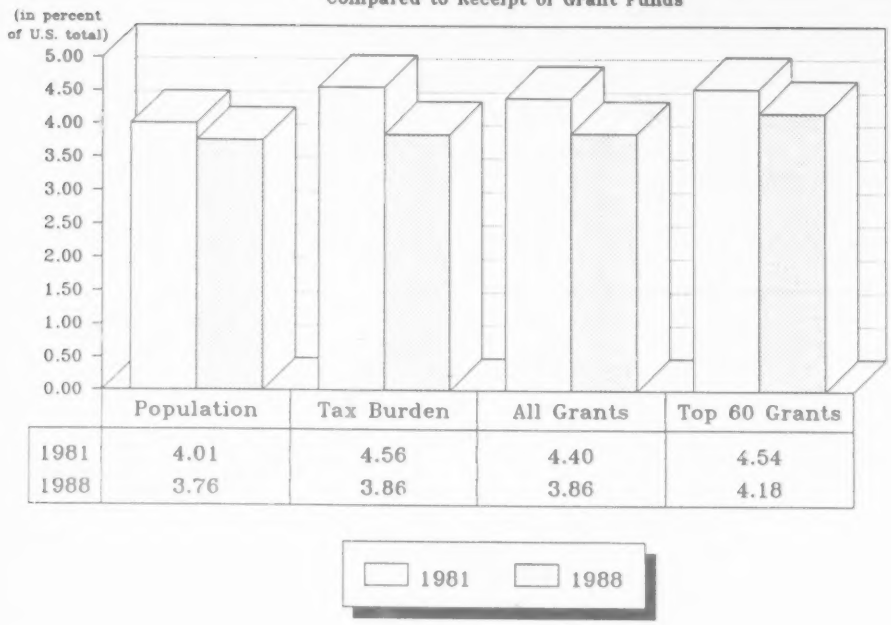
Two factors will continue to affect Michigan's receipt of grant funds: increases or cuts in overall appropriations, and gains or losses in the state's share of total funds allocated. The 1990 census may hurt Michigan on both of these factors. The Northeast-Midwest region probably will lose 14 seats in the House of Representatives. Michigan likely will lose two seats. This loss of political influence will diminish the ability of members from these states to set funding priorities and defend programs of particular benefit to the region from spending cuts.

In addition, funds for 39 of the 60 major grant programs studied are allocated in part on the basis of population. Some formulas consider the entire population while others target specific sectors, such as school-age children, older Americans, the unemployed, or those living in poverty. Some grant programs use annual population estimates to adjust the allocations. In those cases, estimated population loss accounts for some of the observed decline in Michigan's share of funding in these programs. Twenty major programs, however, use decennial census population factors in their formulas. Because Michigan has not kept pace with the national growth in population, falling from 4.01 percent in 1981 to an estimated 3.72 percent by 1990, the state can expect that the use of 1990 census numbers, which take effect in 1992, will reduce its receipt of funds.

Many grant formulas work against the interests of Michigan and other states in the Northeast-Midwest region by underestimating the need for federal assistance, overestimating fiscal (tax-raising) capacity, and underestimating the costs of service responsibilities. For lawmakers interested in promoting more equitable patterns of funding, many opportunities exist to target federal grants more precisely to the people and places in greatest need. Many grant formulas were fashioned years ago when Congress was less concerned with budget deficits. As a result, formulas frequently contain crude and inaccurate factors approximating states' needs and their ability to meet those needs. Congress can correct these distortions when it reauthorizes the grant programs.

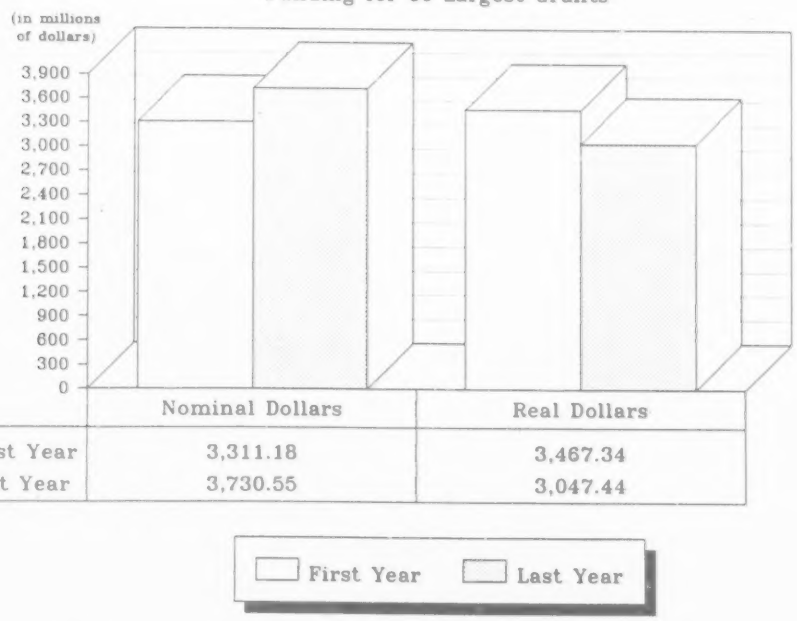
Michigan

Figure 1. State Population and Tax Burden Compared to Receipt of Grant Funds



	Population	Tax Burden	All Grants	Top 60 Grants
1981	4.01	4.56	4.40	4.54
1988	3.76	3.86	3.86	4.18

Figure 2. Total State Federal Funding for 60 Largest Grants



	Nominal Dollars	Real Dollars
First Year	3,311.18	3,467.34
Last Year	3,730.55	3,047.44

Table 1

Total Awards, Michigan's Share of the Total, Funds Received, and Changes in Funding in 60 Largest Grant Programs

Program Name	Total Funds First Year	Total Funds Last Year	State Share First Year	State Share Last Year	Difference in Share	Change in Share	State Award First Year	State Award Last Year	Change First to Last Year
	(in millions of nominal dollars)		(in percent)				(in millions of nominal dollars)		
Medicaid	17,382.07	30,396.40	4.07	3.99	-0.08	-2.07	708.03	1,212.52	504.49
AFDC	6,938.72	9,987.67	8.04	7.46	-0.58	-7.16	557.67	745.22	187.55
General Revenue	5,133.68	--	4.28	0.00	-4.28	-100.00	219.48	0.00	-219.48
Const. Grants	3,833.59	1,833.00	5.37	4.42	-0.95	-17.69	206.04	81.09	-124.95
Interstate Const.	3,768.10	2,421.50	2.51	1.70	-0.81	-32.26	94.58	41.17	-53.41
Ed. Depr. Child	2,950.50	4,138.90	4.42	4.07	-0.35	-7.82	130.29	168.47	38.18
CDBG: Large	2,604.66	1,920.62	4.80	4.48	-0.32	-6.70	124.94	85.96	-38.98
S.S. Block Grnt	2,489.62	2,684.53	4.86	3.76	-1.10	-22.67	121.06	100.94	-20.12
School Lunch	2,294.74	2,686.53	3.08	2.75	-0.33	-10.76	70.75	73.92	3.17
JTPA II-A	1,820.77	1,705.52	5.71	5.58	-0.13	-2.22	103.93	95.19	-8.74
LIHEAP	1,744.17	1,381.09	6.18	5.52	-0.66	-10.74	107.77	76.17	-31.60
Primary System	1,620.38	2,274.79	3.62	3.64	0.02	0.44	58.68	82.74	24.06
UMTA: Large	1,283.77	1,433.00	4.52	2.30	-2.21	-48.96	57.97	33.03	-24.94
Bridge Rep. Reh.	925.14	1,368.91	1.46	1.92	0.46	31.60	13.48	26.25	12.77
WIC	905.87	1,703.44	3.49	3.74	0.25	7.18	31.59	63.67	32.08
Food Dist.: Child	901.14	873.51	3.44	2.55	-0.89	-25.92	31.04	22.29	-8.75
CDBG: Small	880.85	798.65	3.23	3.37	0.15	4.59	28.42	26.95	-1.47
Ed. of Hand	856.61	1,387.90	3.81	3.55	-0.26	-6.82	32.66	49.31	16.65
Rehab. services	833.41	1,251.79	3.59	3.59	0.00	-0.03	29.95	44.97	15.02
Interstate 4R	780.06	2,532.12	3.33	3.32	0.00	-0.10	25.95	84.15	58.20
JTPA IIB	777.29	673.89	4.74	5.43	0.70	14.75	36.81	36.62	-0.19
Urban System	772.60	722.51	4.26	3.82	-0.44	-10.39	32.90	27.57	-5.33
Emp. Ser. Admin	718.09	737.51	3.92	3.83	-0.09	-2.18	28.13	28.26	0.13
UnEm Ins	686.61	1,407.97	6.11	4.84	-1.27	-20.82	41.98	68.16	26.18
Head Start	684.58	1,059.52	4.67	4.67	0.00	-0.07	32.00	49.49	17.49
Voc Ed	672.99	793.16	4.03	3.97	-0.06	-1.40	27.09	31.48	4.39
School Assist	622.66	639.08	1.10	1.08	-0.02	-1.86	6.88	6.93	0.05
Rural Secondary	580.50	581.08	3.07	3.01	-0.06	-2.06	17.83	17.48	-0.35
Improv School P	437.72	464.75	4.16	3.95	-0.21	-4.99	18.22	18.38	0.16
Alco,Drug, MH	420.18	478.52	3.12	3.27	0.15	4.77	13.10	15.63	2.53
Child Support Enf	393.13	741.65	5.79	5.26	-0.53	-9.23	22.77	38.99	16.22

Table 1

Total Awards, Michigan's Share of the Total, Funds Received, and Changes in Funding in 60 Largest Grant Programs (continued)

Program Name	Total Funds First Year	Total Funds Last Year	State Share First Year	State Share Last Year	Difference in Share	Change in Share	State Award First Year	State Award Last Year	Change First to Last Year
	(in millions of nominal dollars)		(in percent)				(in millions of nominal dollars)		
Refugee Assist	363.43	290.26	1.38	1.91	0.53	38.15	5.03	5.55	0.52
UDAG	356.22	188.19	16.97	4.60	-12.37	-72.88	60.45	8.66	-51.79
Maternal Child Healt	350.26	448.30	3.70	3.69	-0.01	-0.30	12.97	16.55	3.58
Win	347.90	91.80	7.12	7.27	0.14	2.01	24.78	6.67	-18.11
Older Am: Nutr	341.97	426.53	3.56	3.50	-0.06	-1.66	12.18	14.94	2.76
School Break	315.06	427.16	1.41	1.04	-0.37	-26.08	4.45	4.46	0.01
Foster care	308.75	716.25	5.76	7.95	2.19	38.05	17.78	56.94	39.16
Child Care Food	292.02	479.03	4.49	3.49	-1.00	-22.29	13.10	16.70	3.60
Senior Com. Ser	271.93	324.51	3.26	3.40	0.14	4.30	8.87	11.04	2.17
Interstate Sub	256.20	543.89	0.00	0.00	0.00	--	0.00	0.00	0.00
Migrant Ed	256.05	258.46	2.52	3.15	0.63	25.07	6.44	8.13	1.69
Older Am Support	246.04	271.30	3.56	3.50	-0.06	-1.65	8.76	9.50	0.74
Schools & Roads	231.29	317.97	0.35	0.25	-0.10	-29.06	0.81	0.79	-0.02
Airport Imp: P	219.74	881.76	2.59	1.55	-1.03	-39.95	5.69	13.71	8.02
Rail Highway	185.36	155.76	3.75	3.42	-0.33	-8.87	6.96	5.33	-1.63
Wap	174.98	157.88	7.00	6.76	-0.24	-3.46	12.25	10.67	-1.58
Wat&Waste Disp	172.14	91.67	3.23	4.18	0.95	29.35	5.56	3.83	-1.73
Dislocated Wor	163.40	219.25	7.09	6.60	-0.49	-6.94	11.58	14.46	2.88
State &Com. High	162.31	102.51	3.99	3.77	-0.23	-5.68	6.48	3.86	-2.62
Child Welfare	157.67	232.34	4.08	3.93	-0.15	-3.69	6.44	9.14	2.70
UMTA: Small	155.09	142.59	4.76	3.16	-1.60	-33.62	7.39	4.51	-2.88
Ed of Handi Child	144.08	149.80	5.45	5.01	-0.44	-7.98	7.85	7.51	-0.34
Hazard Elim	143.54	163.11	3.99	3.76	-0.23	-5.85	5.73	6.13	0.40
Comm. Ser BG	130.10	388.29	9.07	4.05	-5.02	-55.33	11.80	15.73	3.93
Summer Food Child	101.98	110.14	4.12	3.85	-0.27	-6.53	4.20	4.24	0.04
Adult Ed	97.22	111.98	4.03	3.66	-0.37	-9.19	3.92	4.10	0.18
Ag. Exper. Stat	91.58	107.53	3.12	3.18	0.06	1.84	2.86	3.42	0.56
Food Dist: Elderly	85.74	129.93	4.41	4.59	0.18	4.05	3.78	5.96	2.18
Airport Impr:S	32.22	149.57	3.35	3.36	0.00	0.13	1.08	5.02	3.94
Total/Weighted Avg.	72,868.47	89,157.27	4.54	4.18	-0.36	-7.92	3,311.18	3,730.55	419.37

Table 2

Total Awards, Michigan's Award, and Changes in Total Awards and the State's Portion of the 60 Largest Grant Programs: Real (1982) Dollars

Program Name	Total Funds First Year	Total Funds Last Year	State Award First Year	State Award Last Year	Change in Total Funds	Change in State Funds
	(in millions of real dollars)				(in percent)	
Medicaid	18,424.99	24,976.50	750.51	996.32	35.56	32.75
AFDC	7,355.04	8,206.80	591.13	612.34	11.58	3.59
General Revenue	5,441.70	--	232.65	--	--	--
Const. Grants	4,063.61	1,461.72	218.40	64.67	-64.03	-70.39
Interstate Const.	3,768.10	1,878.59	94.58	31.94	-50.14	-66.23
Ed. Depr. Child	3,127.53	3,400.90	138.11	138.43	8.74	0.23
CDBG: Large	2,760.94	1,578.16	132.44	70.63	-42.84	-46.67
S.S. Block Grnt	2,396.17	2,140.77	116.52	80.49	-10.66	-30.92
School Lunch	2,432.42	2,282.52	75.00	62.80	-6.16	-16.26
JTPA II-A	1,690.59	1,360.06	96.50	75.91	-19.55	-21.34
LIHEAP	1,848.82	1,101.35	114.24	60.74	-40.43	-46.83
Primary System	1,717.60	1,814.03	62.20	65.98	5.61	6.08
UMTA: Large	1,360.80	1,142.74	61.45	26.34	-16.02	-57.14
Bridge Rep. Reh.	980.65	1,091.63	14.29	20.93	11.32	46.50
WIC	960.22	1,399.70	33.49	52.32	45.77	56.24
Food Dist.: Child	955.21	742.15	32.90	18.94	-22.30	-42.44
CDBG: Small	933.70	656.24	30.13	22.14	-29.72	-26.49
Ed. of Hand	908.01	1,106.78	34.62	39.32	21.89	13.58
Rehab. services	883.41	1,063.54	31.75	38.21	20.39	20.35
Interstate 4R	750.78	1,964.41	24.98	65.28	161.65	161.38
JTPA IIB	823.93	553.73	39.02	30.09	-32.79	-22.88
Urban System	818.96	576.16	34.87	21.99	-29.65	-36.96
Emp. Ser. Admin	666.75	588.13	26.12	22.54	-11.79	-13.72
UnEm Ins	727.81	1,122.78	44.50	54.35	54.27	22.15
Head Start	725.65	844.91	33.92	39.47	16.43	16.35
Voc Ed	713.37	651.73	28.72	25.87	-8.64	-9.92
School Assist	660.02	525.13	7.29	5.69	-20.44	-21.92
Rural Secondary	615.33	463.38	18.90	13.94	-24.69	-26.25
Improv School P	421.29	381.88	17.54	15.10	-9.35	-13.88
Alco,Drug, MH	420.18	393.20	13.10	12.84	-6.42	-1.96
Child Support Enf	416.72	630.12	24.14	33.13	51.21	37.25
Refugee Assist	385.24	238.50	5.30	4.56	-38.09	-14.47
UDAG	377.59	154.63	64.08	7.12	-59.05	-88.89
Maternal Child Healt	371.28	357.50	13.75	13.20	-3.71	-4.00
Win	368.77	75.43	26.27	5.48	-79.55	-79.13
Older Am: Nutr	362.49	340.14	12.91	11.91	-6.17	-7.72
School Break	333.96	362.92	4.72	3.79	8.67	-19.67
Foster care	327.28	608.54	18.85	48.38	85.94	156.69
Child Care Food	309.54	406.99	13.89	14.19	31.48	2.18
Senior Com. Ser	288.25	266.65	9.40	9.07	-7.49	-3.52
Interstate Sub	246.58	421.95	0.00	0.00	71.12	--
Migrant Ed	271.41	212.37	6.83	6.68	-21.75	-2.14
Older Am Support	260.80	216.35	9.29	7.58	-17.05	-18.41

Table 2

Total Awards, Michigan's Award, and Changes in Total Awards and the State's Portion of the 60 Largest Grant Programs: Real (1982) Dollars (continued)

Program Name	Total Funds First Year	Total Funds Last Year	State Award First Year	State Award Last Year	Change in Total Funds	Change in State Funds
	(in millions of real dollars)				(in percent)	
Schools & Roads	245.17	261.27	0.86	0.65	6.57	0.00
Airport Imp: P	219.74	724.54	5.69	11.27	229.72	97.99
Rail Highway	196.48	124.21	7.38	4.25	-36.78	-42.39
Wap	185.48	129.73	12.99	8.77	-30.06	-32.48
Wat&Waste Disp	182.47	75.32	5.89	3.15	-58.72	-46.60
Dislocated Wor	151.72	174.84	10.75	11.53	15.24	7.25
State &Com. High	172.05	84.23	6.87	3.17	-51.04	-53.82
Child Welfare	167.13	190.91	6.83	7.51	14.23	10.02
UMTA: Small	164.40	113.71	7.83	3.60	-30.83	-54.09
Ed of Handi Child	152.72	123.09	8.32	6.17	-19.40	-25.84
Hazard Elim	152.15	130.07	6.07	4.89	-14.51	-19.52
Comm. Ser BG	130.10	319.06	11.80	12.93	145.24	9.54
Summer Food Child	108.10	93.58	4.45	3.60	-13.43	-19.08
Adult Ed	103.05	89.30	4.16	3.27	-13.35	-21.31
Ag. Exper. Stat	97.07	88.36	3.03	2.81	-8.98	-7.30
Food Dist: Elderly	90.88	110.39	4.01	5.06	21.46	26.38
Airport Impr:S	34.15	122.90	1.14	4.12	259.85	260.32
Total/Weighted Avg.	76,226.36	72,717.24	3,467.34	3,047.44	-4.60	-12.11